

Community Facility Guaranteed Loans provide financing to improve or develop essential community facilities in rural areas.

Eligibility

- Not-for-profit Corporations - the entity must have significant ties to the local community such as control by a public body or broadly based ownership and controlled by members of the local community.
- Public Bodies (cities, counties, districts, etc.) public bodies normally do not pursue guaranteed loans in Tennessee because Rural Development can not guarantee totally tax-exempt bonds
- Federally recognized Indian tribal groups

Legal Authority and Responsibility

- The borrower shall be responsible for operation, maintainance and management of the facility and providing for its continued availability and use at reasonable terms and rates. The facility may be operated, maintained or managed by a third party under contract, management agreement or written lease.

Population Limit

- Loans may not be made to any city or town with a population in excess of 20,000 nor may a facility be located in any city or town with a population in excess of 20,000

Test for Credit

- Both borrower and lender must certify credit would be unavailable to the borrower without the guarantee

Lender's Exposure

- Lender must retain 5% of the total loan amount and it must be of the unguaranteed portion and can not be participated.

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Eligible Loan Purposes

- Construct, enlarge, extend or otherwise improve **essential community facilities** (any community facility that is essential to the beneficial and orderly development of that community) operated on a nonprofit basis such as:
 - Fire, rescue, public safety, health services
 - Community, social or cultural services
 - Transportation infrastructure such as streets, roads, bridges
 - Natural gas distribution systems
 - Industrial parks (land acquisition and site preparation only)
 - Facilities used primarily for recreation
 - Purchase of existing facilities to improve or prevent a loss of service
 - Pay the following expenses:
 - > Reasonable fees, costs and interest
 - > Costs of acquiring interest and rights in land.
 - > Purchasing or renting equipment
 - > Initial operating expenses
- Refinancing debt when all of the following exist:
 - Debts being refinanced are secondary part of loan (less than 50%)
 - Debts being refinanced were incurred for facility or service being currently financed
 - Present creditors will not extend or modify terms of the existing debts to an acceptable rate
- Pay obligations for construction incurred before issuance of the Conditional Commitment (only in limited instances)

Ineligible Loan Purposes

- On-site utility systems of business or industrial buildings in industrial park
- Community antenna television services or facilities
- Facilities not modest in size, design and cost
- Finder's and packager's fees
- New combined sanitary and storm water sewer facilities

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Interest Rates

- Fixed or variable rate allowed
- A variable rate must be tied to a base rate published periodically in a recognized national or regional financial publication and specifically agreed to by the lender, borrower and Rural Development

Loan Terms

- Loan will not exceed 40 years
- Loan will not exceed useful life of facility
- Rural Development may not guarantee any note in which the loan documents provide for payment of interest upon interest

Lender Preapplication

- For preapplication, Lender must provide the following:
 - Standard Form 424.2, Preapplication (available from Area Office)
 - State Intergovernment Review
 - Applicant's certification on other credit
 - Lender's certification they would not make the loan without the guarantee
 - Lender's proposed loan terms
- Supporting documentation;
 - Current financial statements
 - Audits
- Organization documents;
 - Certificate of Incorporation
 - Articles of Incorporation
 - Bylaws
- Existing debt instruments
- Project write-up, information on the application and the lender's recommendation
- Form 3575-1 (Application for loan guarantee) available on the web at: www.rurdev.usda.gov/regs/formstoc.html#3500

Guarantee Fee/Guarantee Limit

- A guarantee fee of 1% of the guaranteed portion of the loan is required
- The guaranteed loan will not exceed 90% of the loan portion.

Feasibility Requirements

- These instructions do allow some flexibility depending on the size and nature of the project

CONTACTS

Area Offices in Tennessee

Greeneville - 423-638-4771 ext 4
 Knoxville - 865-523-3338 ext 4
 Chattanooga - 423-756-2239 ext 0
 Cookeville - 931-528-6539 ext 2
 Nashville - 615-783-1359
 Lawrenceburg - 931-762-6913 ext 4
 Jackson - 731-668-2091 ext 2
 Covington - 901-475-3350 ext 4
 Union City - 731-885-6480 ext 4

State Office (Nashville) - 615-783-1300
 Toll Free Number - 1-800-342-3149